

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0845-04
Bill No.: SCS for HB 249
Subject: Economic Development; Regulation of Amusement Devices.
Type: Original
Date: May 11, 2001

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
Amusement Machine Operator Licence	\$0	\$221,714	(\$94,715)
PR Fees	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> State Funds	\$0	\$221,714	(\$94,715)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
Local Government	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 6 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Economic Development (DED) - Professional Registration (DPR)** state this legislation requires their division to issue amusement machine operator licenses to any person who is engaged in the business to own, buy, sell, rent, lease, trade or furnish to another amusement machines. The DPR estimates that there will be approximately 514 applicants for licensure under this provision.

The projected revenue reflects a \$800 biennial license fee for 400 amusement machine operators ($\$800 \times 400 = \$320,000$). Additional revenue has been projected at a rate of \$100 per month for 114 carnival operators ($\$100 \times 114 = \$11,400$). DPR projects a 3% annual growth in licensees for subsequent years.

It is assumed all expenses will be paid from the Amusement Machine Operator License Fund and all revenue collected will be deposited into the Amusement Machine Operator License Fund. The Amusement Machine Operator License Fund would reimburse the PR Fees Fund for all expenses paid by the PR Fees Fund.

DPR is requesting an additional 2.5 FTE to carry out duties generated by this proposal. The additional employees would include a 1 Executive I - Principal Assistant (1.0 FTE at \$30,204 per year) to serve as senior executive of the licensing agency, a .5 Licensure Technician II (.5 FTE at \$24,492 per year) to provide technical support directly to the Principal Assistant and to be responsible for processing applications for licensure, as well as respond to any inquiries relating to the licensure law or rules and regulations, and 1 Investigator II (1.0 FTE at \$37,488 per year) to assist in the Central Investigative Unit in conducting investigations and inspections.

Based on FY 2000 complaints for an agency of similar size, DPR officials assume it would be reasonable to assume there would be 6 complaints filed each year that will require investigation. It is estimated that an average investigation would require approximately 5 hours to complete. Travel costs to conduct the investigations are estimated at \$271 annually. It is assumed the complaints and investigations would not start until FY 04.

It is assumed that existing staff would design, program, and implement a computer licensure program for roughly \$173.20 (8 hours x \$21.65 per hour = \$173.20). In addition, costs of \$2,720 have been calculated for EDP costs including maintenance of the division's licensing and optical imaging system. These costs are based on the current 3 year licensee average percentage cost allocation for the division. A 3% growth rate has been estimated.

DPR assumes the Office of the Attorney General (AGO) would provide approximately 60 hours of assistance per year with rules, opinions and meetings. Based on an hourly cost of \$60.87, the

ASSUMPTION (continued)

annual total would be \$3,652. Also, it is estimated that 25% of the investigations (1 case) would be forwarded to the AGO for further action. It is assumed there would not be any cases until FY 03. Based on a cost of \$5,400 per case, the annual cost would be \$5,400.

DPR assumes expenses necessary to administer this program, including personal service, fringe benefits, expense and equipment, and other expenses will total (\$14,470) in FY 2002, (\$161,374) in FY 2003, and (\$147,588) in FY 2004.

Oversight assumes DPR could administer this program with the 2.0 FTE they requested in a similar proposal from 2000. To calculate personal service and fringe benefit expenses required by DPR, Oversight adjusted the personal service and fringe benefit estimates from last year by a 3 percent inflationary factor. Oversight also assumed DPR will not need to pay additional rent for the new FTE required in this proposal. Oversight also has not reflected DPR's estimates of this program's allocation of indirect expenses of department and division administration, as well as system maintenance.

In response to similar legislation from this year, officials from the **Lottery Commission (LOT)** stated that if the proposal allowed a player of amusement devices to win more than what the player spent in dollars, then the continued addition of video machines and amusement devices in Missouri businesses that pay out prizes will annually reduce Lottery profits for education. LOT assumes that 50% of Lottery-licensed pull tab retailer locations (650) will lose 50% of lottery sales annually (\$6,825,000), which at a 20% profit loss equals \$1,365,000 less for education funding. However, if the proposal does not allow a player to win more in prizes than what the player has spent in dollars, then they assume this proposal would have "minimal" impact on Lottery sales.

Oversight assumes this proposal refers to amusement games which depend, at least in part, upon the skill of the player, regardless of whether an award is given to a successful player. Therefore, Oversight assumes this proposal deals with devices that will not be in direct competition with lottery sales, and therefore have assumed that there will be no impact to the Missouri Lottery Commission.

Officials from the **Department of Revenue (DOR)** state this legislation, as worded, would regulate amusement machine devices and requires the amusement operator to obtain a license from Division of Professional Registration after registering for sales tax number and getting a no tax due statement from the Department of Revenue.

In order for a taxpayer to receive a license from Professional Registration the amusement machine operator must show proof that Missouri sales tax has been paid up to date. DOR will

ASSUMPTION (continued)

need to issue a "no tax due" to the taxpayers. This wording will make each account registered with DOR request a 'no tax due'. This will increase the number of "no tax dues" issued in the Tax Assistance Centers and DOR will need a Taxpayer Service Representative I for every 4,600 additional phone calls and 1,285 additional walk-ins received each year.

In response to similar legislation from last year, DOR assumed that they would not be fiscally impacted by the proposal. **Oversight** assumes that the DOR could provide the necessary sales tax clearances for the estimated 500 - 600 license applicants with existing resources. If demand is greater than anticipated, Oversight assumes the DOR could request additional FTE through the normal budget process.

In response to similar legislation from this year, officials from the **Office of the Attorney General (AGO)** assumed the cost of representing the Department of Economic Development - Professional Registration in any licensing matters or appeals that arise as a result of this legislation can be absorbed with existing resources.

In response to similar legislation from this year, officials from the **Office of Secretary of State (SOS)** assumed there would be costs due to additional publishing duties related to the Division of Professional Registration's authority to promulgate rules, regulations, and forms. SOS estimates the division could require approximately 24 new pages of regulations in the Code of State Regulations at a cost of \$27.00 per page, and 36 new pages in the Missouri Register at a cost of \$23.00 per page. Costs due to this proposal would be \$1,476, however, the actual fiscal impact would be dependent upon the actual rule-making authority and may be more or less. Financial impact in subsequent fiscal years would depend entirely on the number, length, and frequency of the rules filed, amended, rescinded, or withdrawn. SOS does not anticipate the need for additional staff as a result of this proposal; however, the enactment of more than one similar proposal may, in the aggregate, necessitate additional staff.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

In response to similar legislation from this year, officials from the **Department of Public Safety - Division of Fire Safety** and the **Missouri Gaming Commission** assumed the proposal would not have a fiscal impact on their respective agencies.

Officials from the **State Treasurer's Office** and the **Office of Administration - Administrative Hearing Commission** assumed the proposed legislation would have no fiscal

ASSUMPTION (continued)

impact on their respective agencies.

<u>FISCAL IMPACT - State Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
---	---------------------	---------	---------

**AMUSEMENT MACHINE
 OPERATOR LICENSE FUND**

<u>Income</u> - Division of Professional Reg. Licensure Fees/Renewals	\$0	\$331,400	\$4,950
--	-----	-----------	---------

<u>Costs</u> - DPR Transfer to PR Fees Fund	\$0	(\$109,686)	(\$99,665)
--	-----	-------------	------------

ESTIMATED NET EFFECT TO AMUSEMENT MACHINE OPERATOR LICENSE FUND	<u>\$0</u>	<u>\$221,714</u>	<u>(\$94,715)</u>
--	-------------------	-------------------------	--------------------------

PR FEES FUND

<u>Income</u> - DPR Transfer from Amusement Machine Operator Licence Fund	\$0	\$109,686	\$99,665
---	-----	-----------	----------

<u>Costs</u> - DPR Personal Service (2.0 FTE)	\$0	(\$63,900)	(\$65,498)
Fringe Benefits	\$0	(\$19,649)	(\$20,141)
Expense and Equipment	\$0	(\$22,485)	(\$4,974)
Other Costs/AGO Costs	<u>\$0</u>	<u>(\$3,652)</u>	<u>(\$9,052)</u>
Total <u>Costs</u> - DPR	\$0	(\$109,686)	(\$99,665)

ESTIMATED NET EFFECT TO PR FEES FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
---	-------------------	-------------------	-------------------

<u>FISCAL IMPACT - Local Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
	\$0	\$0	\$0

FISCAL IMPACT - Small Business

It is expected that small businesses that deal in amusement devices would have a direct fiscal impact as a result of this proposal.

DESCRIPTION

This proposal requires amusement machine operators to obtain licenses from the Director of the Department of Economic Development. Fees to obtain a license to operate amusement machines will be set by the director at no more than \$1,500 for a 2-year license. Licenses to operate amusement machines used specifically at carnivals, local or county fairs, or at the state fair will be \$100 dollars for each month the machines are in operation.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Economic Development
Professional Registration
Department of Revenue
Office of the Attorney General
Office of the Secretary of State
Office of the State Treasurer
Missouri Lottery Commission
Missouri Gaming Commission
Department of Public Safety
Division of Fire Safety



Jeanne Jarrett, CPA
Director

May 11, 2001